



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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The Honorable Silvio O. Conte  
House of Representatives

R Dear Mr. Conte:

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Your January 15, 1975, letter asked us to inquire into expenditures for consulting services under two federally funded education programs. The expenditures involved grants made by the Massachusetts State Department of Education for programs authorized by the Vocational Education Act of 1963, as amended (20 U.S.C. 1241), and title III of the Elementary and Secondary Education Act of 1965, as amended (20 U.S.C. 841), which provides support to local education agencies for designing exemplary projects to serve as models for regular school programs. The Office of Education, Department of Health, Education, and Welfare, administers both programs at the Federal level.

Two separate divisions of the Massachusetts State Department of Education used the Federal funds to make grants to a local education agency--The Hampshire Educational Collaborative. The Collaborative, in turn, contracted with SRS Consultants, Inc., of Boston, a profit-making firm, to provide services under each program. The contracts totaled \$39,500. Both were fixed-price contracts with payment contingent upon the Collaborative's receipt of grant funds. Copies of invoices which you forwarded to us relating to the Collaborative's contracts with SRS Consultants showed charges of \$100 per day or less for consulting services, charges for secretarial services, overhead at the rate of 50 percent of payroll, travel and xeroxing charges, and a profit or fee of about 5 percent of total charges.

We spoke with officials from the local education agency, the Massachusetts State Department of Education, the Office of Education, and the Office of the Secretary, Department of Health, Education, and Welfare. We reviewed the Collaborative's grant proposals, budgets, and contracts with SRS Consultants, other information provided by the Collaborative and by the Massachusetts State Department of Education, the Massachusetts State plans for the two programs, and regulations of the Department of Health, Education, and Welfare which provide Office of Education administrative and fiscal requirements as well as program requirements.

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Applicable regulations of the Department of Health, Education, and Welfare provide that State and local governments are responsible for efficiently and effectively administering Federal grant programs administered by State and local governments. The grantee--in this case the State of Massachusetts--is responsible for seeing that Federal funds have been expended and accounted for in compliance with federally approved State plans and program objectives. The regulations do not otherwise provide any basis for concluding that the costs charged in the Collaborative's contracts with SRS Consultants are unnecessary or unreasonable.

State Department of Education officials said the Collaborative adhered to all rules, regulations, and limitations in awarding the consulting services contract under the Elementary and Secondary Education Act, title III, State grant program. These officials also authorized consulting services indicated in the Collaborative's grant proposal to the State under the Vocational Education State grant program and approved the contract awarded to SRS Consultants. In a September 1974 letter, a State Department of Education official advised the Collaborative that the contract had been reviewed and found to be consistent with the Collaborative's program, which had been approved by the State Department of Education.

We noted, however, that the Massachusetts State plan provides that written contracts for vocational education, including those of local education agencies, must be submitted to the Vocational Education State Board for approval by its legal counsel. According to a Massachusetts State Department of Education official, approval of the State Board's legal counsel had not been obtained on the Collaborative's contract under the Federal Vocational Education program.

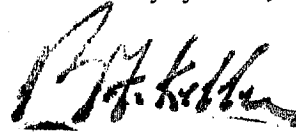
The Federal Government generally relies on the States to monitor the use of State grant funds awarded to local educational agencies in accordance with approved State plans as well as State and local laws. Office of Education and Massachusetts State Department of Education officials promised to look into the matter.

Also, we noted some computational errors on one of the SRS Consultants' invoices which you forwarded to us, indicating an apparent overcharge to the Collaborative for the services listed. Collaborative officials have agreed to look into this matter.

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We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. H. Kellum". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

Deputy Comptroller General  
of the United States